



PLAID, Inc.

Financial Results Briefing Q1 FY 9/22

February 9, 2022

Presentation

Disclaimer

Forward-Looking Statements

This document contains forward-looking statements. These statements are based only on information that is available at the time the statements are made. In addition, these statements do not constitute a guarantee of future results. They are subject to risk and uncertainty. Please note that actual results may differ materially from those expressed or implied in the forward-looking statements due to environmental changes and other factors.

Factors that may affect actual results include, but are not limited to, domestic and overseas economic conditions and trends in the industries that the Company serves.

Additionally, the information concerning companies or groups outside the Company is quoted from public information and elsewhere. The Company does not verify in any way or guarantee its accuracy, appropriateness, etc.

Moderator: It is time to begin. Thank you for joining us today.

This is a briefing on the financial results for Q1 of the fiscal year ending September 30, 2022 for PLAID, Inc.

Today's presentation includes forward-looking statements. These statements are not guarantees of future results and are subject to risks and uncertainties. Please note that actual results may differ greatly from these forward-looking statements due to changes in the environment and other factors. In addition, please read these instructions carefully.

There will be a Q&A session after the presentation. CFO Muto will now begin the presentation. Mr. Muto, if you would.

Maximize the Value of People with the Power of Data

No algorithm goes beyond imagination and flexibility of people.
That is why we focus on developing technologies that encourage people's creativity.

Muto: I'm Muto, the CFO of PLAID. Hello, everyone.

Thank you for joining us today. First of all, I would like to make some comments about our mission, as Kurahashi always does.

Our mission is to maximize the value of people through data, and our main product is KARTE. With this data as our business foundation, we are now expanding the scope of our products and services.

Mission and Growth Strategy

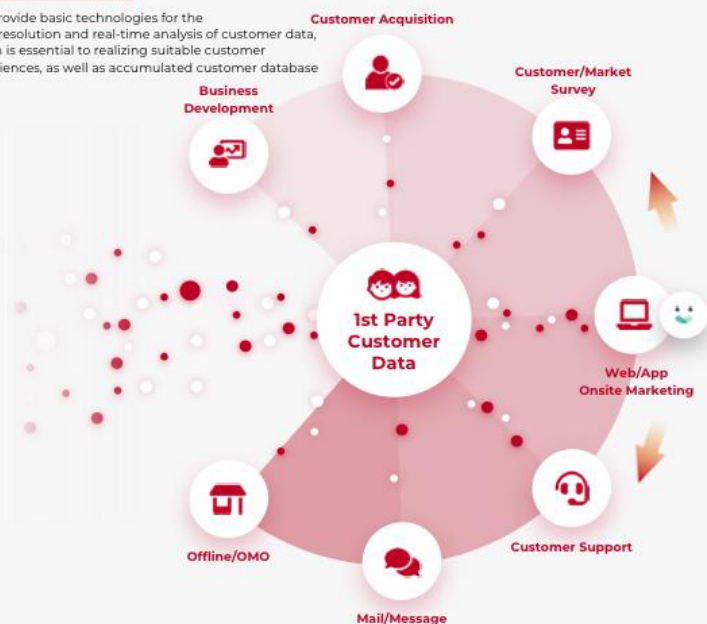
To Realize Customer-Focused Business Activities by Supporting the Use of Customer Data

A high-resolution understanding of the customer is essential to realizing suitable customer experiences

Plaid supports customer-focused business activities based on the proprietary real-time analysis engine enabling high-resolution customer understandings and accumulated customer database as our core value

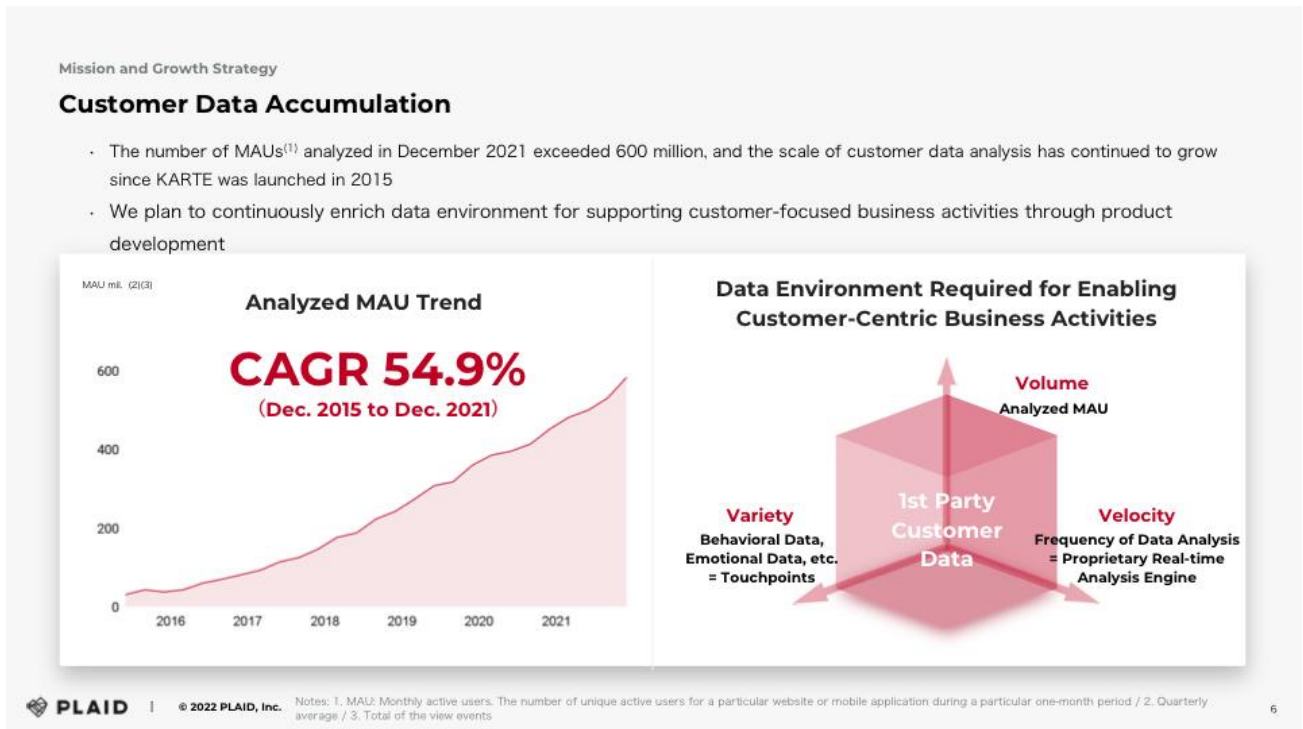
Our Core Value

We provide basic technologies for the high-resolution and real-time analysis of customer data, which is essential to realizing suitable customer experiences, as well as accumulated customer database



This is an image of the breadth of our business area, which we also showed you last time, and the core area, or the area that we originally started with, is web applications. From Onsite Marketing, we are expanding our domains based on the 1st Party Customer Data.

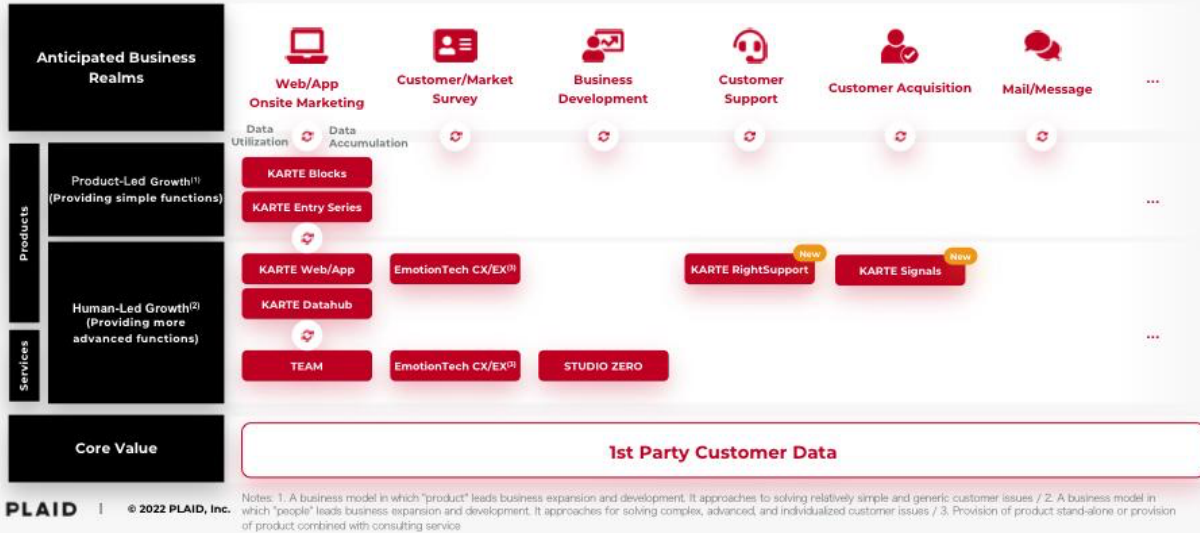
We are not just expanding our domain, but are trying to provide services and products that can be used as important customer contact points in corporate activities, where we can utilize customer data to provide better experiences to customers.



One of our key KPIs, or the indicator that best represents the state of our business, is the analyzed the number of MAU, which is the total number of users on the other side of the companies that use KARTE. This number is still growing.

Development of Products and Services Based on Customer Data

- We will provide new products and services into business areas where leveraging customer data is a key success factor
- β version products testing launched in Customer Support and Customer Acquisition areas



This is the mapping that we also showed last time.

There are two points that have changed since the previous Q4: customer support and customer acquisition realms, and product names have been added here. Here, I would like to touch on some details.

Q1 FY 9/22 Financial Highlights

- 1 Consolidated net sales was up 45.6% YoY, backed by steady increase in subscription and service recurring revenues in addition to the consolidation of Emotion Tech from Q1
- 2 Consolidated gross profit margin was significantly improved owing to Plaid's standalone SaaS gross profit margin improvement resulting from upgrading real-time analytics engine
- 3 Consolidated operating losses were well under control while we made necessary operational investments including human resources

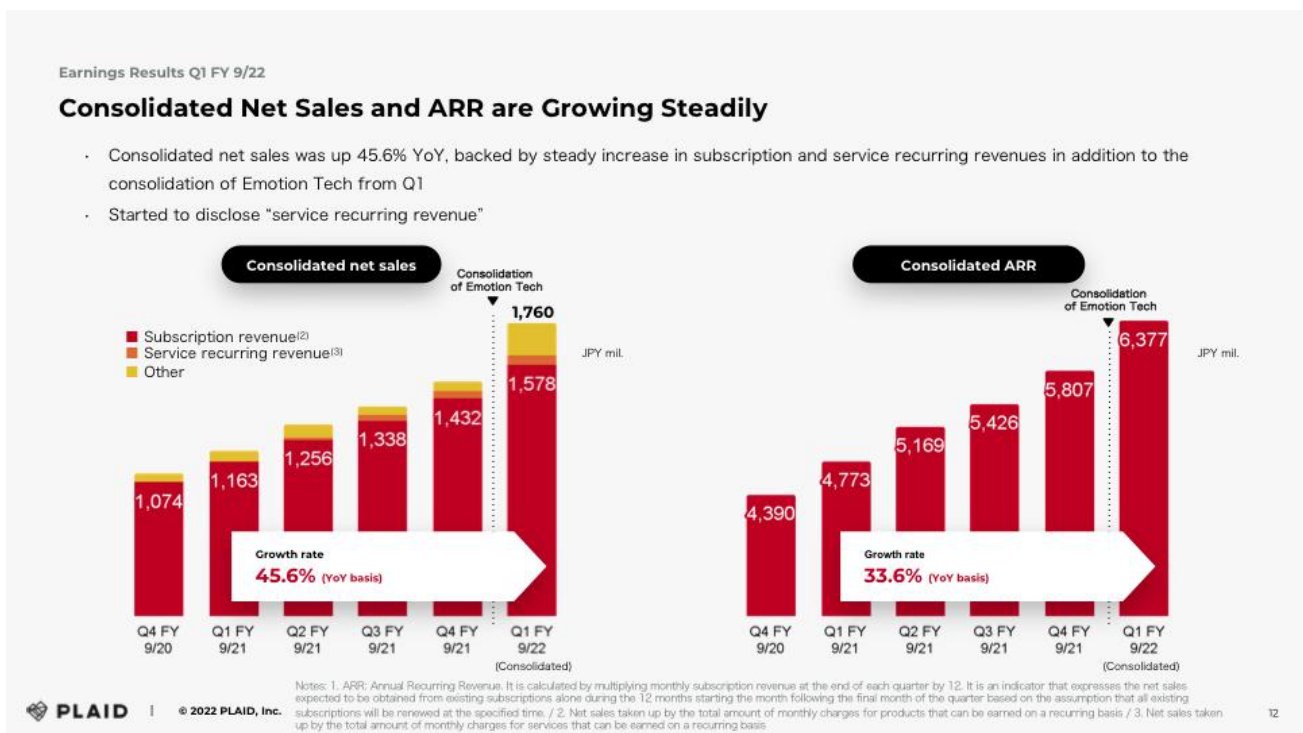
Let me start by talking about the financial highlights, the financial side.

The highlights of Q1 are the three points shown here.

First of all, we have achieved 45.6% sales growth. This is partly due to the consolidation of Emotion Tech, and to the build-up of sales of product subscriptions. Another important point is that the sales of recurring services are also increasing.

The second point is the total profit. The gross profit margin has been improving. We believe that this is a very large range. The background to this is that we are upgrading the real-time analytics infrastructure, which is the reason why the cost of the server was originally so high. As a result, server costs have significantly reduced and the gross profit margin has been improving.

Third, we are continuing to invest aggressively, and I think we mentioned that we would do so in Q4, the operating loss has been kept below the pace announced at the beginning of the fiscal year. These three are the key points of the current financial results.



First of all, sales and ARR have been growing steadily, as reported in the highlights.

The growth is due to three factors: subscription sales of products, a build-up in recurring sales of services, and the consolidation of Emotion Tech.

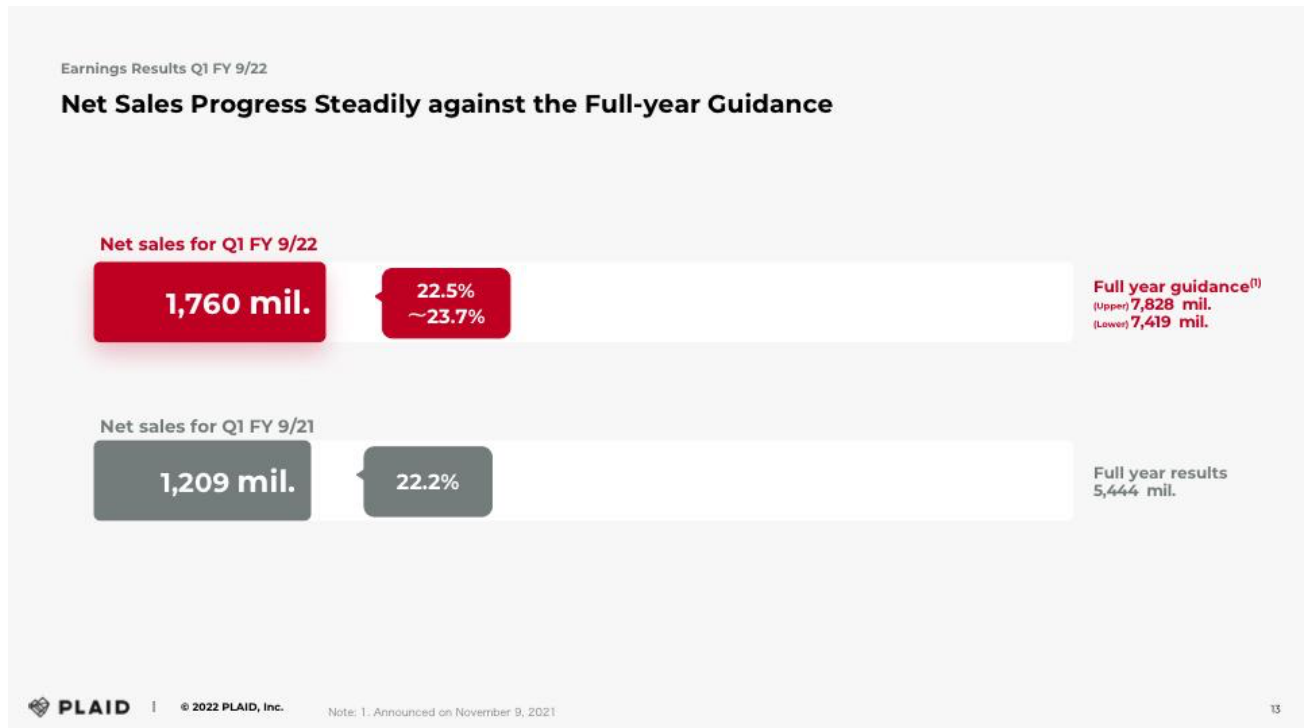
In particular, Emotion Tech has achieved higher sales growth than we had expected when it joined the Group. I believe that these effects have enabled us to achieve such high growth.

Also, as you can see on the right side, this is ARR, which has always included only product subscriptions, it is growing at 33.6%.

By the way, if I were to explain what recurring services are, Emotion Tech provides consulting services in conjunction with the products it provides.

The consulting service is ongoing, and the TEAM service, which we have mentioned before, provides operational support for online marketing using KARTE.

I would like to explain this kind of continuous service revenue as recurring service revenue.



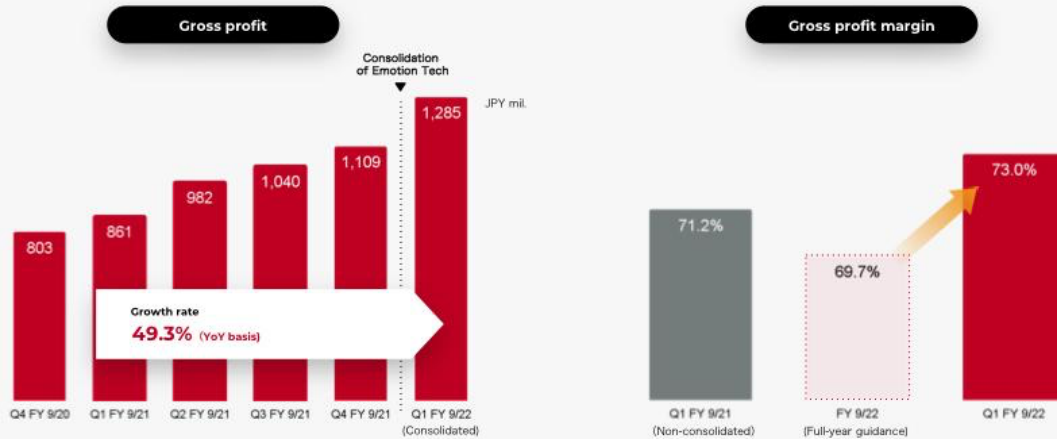
We believe we made good progress in Q1 toward our sales forecast for the fiscal year.

Sales on a consolidated basis in Q1 were JPY1.76 billion. This is a progress rate of between 22.5% and 23.7% compared with the range we have disclosed in our guidance level this time.

For reference, the progress rate for last fiscal year was 22.2%, so we can say that we are on track to surpass this rate.

Consolidated Gross Profit Improved

- Consolidated gross profit margin was significantly improved owing to Plaid's standalone SaaS gross profit margin improvement resulting from upgrading real-time analytics engine
- 73.0% Q1 gross profit margin was higher than 71.2% of the previous Q1 and than 69.7% of full year guidance



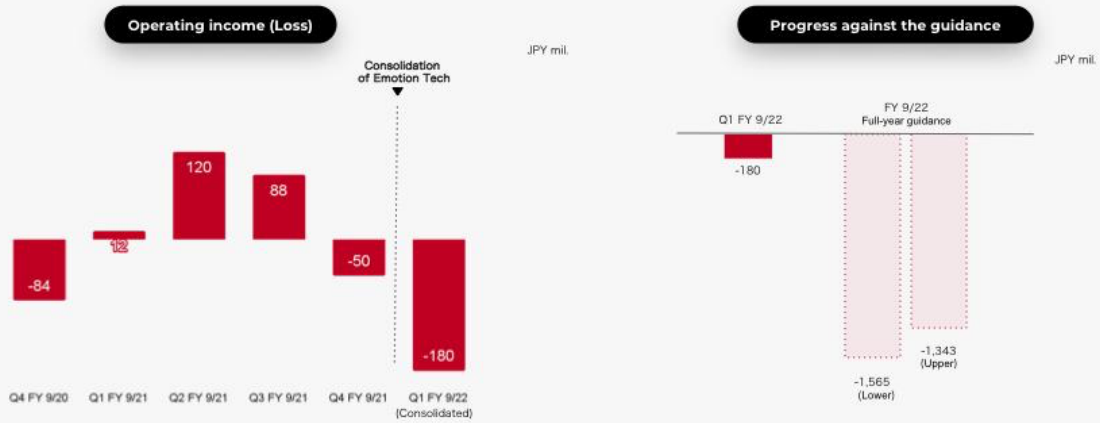
The second point in the highlights is gross profit.

First of all, the reason behind the improvement of PLAID's gross profit margin on a consolidated basis is that PLAID's gross profit margin on a non-consolidated basis has improved, as I will explain later.

As a result, growth in consolidated gross profit is 49.3%, and as you can see on the left, gross profit is growing faster than sales. As you can see on the right, the gross profit margin for the current fiscal year is significantly higher than the forecast level of 69.7%, and is also higher than the non-consolidated gross profit margin of 71.2% for the same period last year.

Consolidated Operating Losses were Well Under Control

- Consolidated operating losses were well under control while we made necessary operational investments including human resources



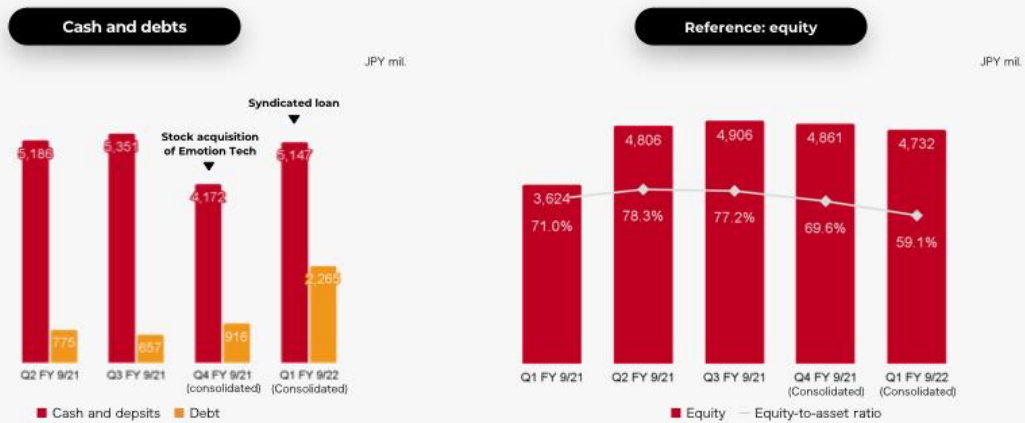
The third highlight is the range of the operating deficit.

I think this was reported at the beginning of this fiscal year to give you a sense of the level of the range of operating loss. At this level, costs are being held down considerably. If you look at Q1, it is minus JPY180 million, which compared to the full-year deficit forecast of about minus JPY1.3 billion to minus JPY1.5 billion, is a very small range.

Of course, this does not mean that we are curbing investment, so there are factors such as an increase in gross profit and efficient investment.

Sound Financial Condition with Net Cash on Balance Sheet

- Maintained a sound level of cash with approximately 3 billion yen in addition to 0.5 billion yen of commitment line



Coming to the end of the consolidation section, I would like to briefly touch on the balance sheet.

On the left side, here you can see the changes in cash and interest-bearing debt. Basically, we are trying to maintain stable financial operations, and we maintain a sufficient level of cash.

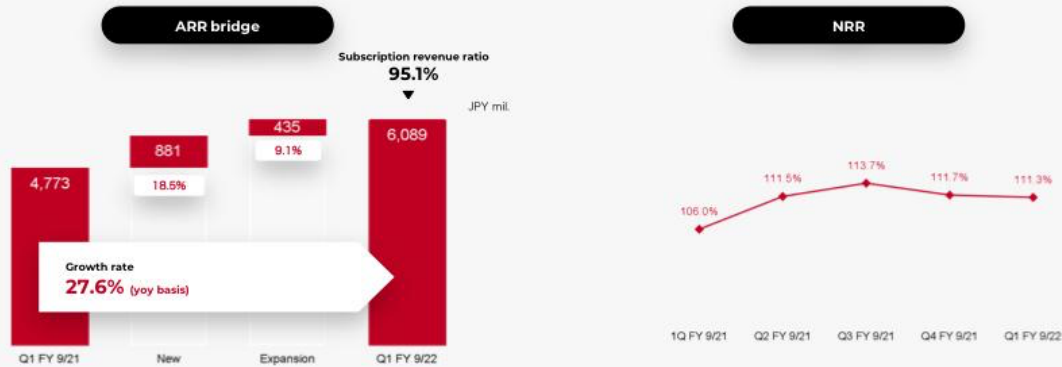
The purchase cost of Emotion Tech’s shares temporarily reduced our cash, but we later raised funds through a syndicated loan, and our cash level is now above JPY5 billion.

Although we do not have JPY5 billion in net cash because of some borrowing, we have a stable level of just under JPY3 billion, and in addition, we have a commitment line of JPY500 million.

As for the equity-to-asset ratio, as you can see on the right, it is 59% so I believe that we have a stable balance sheet structure.

Standalone ARR grew as Planned

- Subscription revenue ratio⁽¹⁾ on a no-consolidated basis was 95.1%, remaining at a high level
- Both new customer acquisition and existing customer expansion contributed to the steady increase in ARR⁽²⁾
- NRR⁽³⁾ was 111.3%, remaining at a favorable level



Notes: 1. Percentage of net sales taken up by the total amount of monthly charges for products that can be earned on a recurring basis / 2. ARR: Annual Recurring Revenue. It is calculated by multiplying monthly subscription revenue at the end of each quarter by 12. It is an indicator that expresses the net sales expected to be obtained from existing subscriptions alone during the 12 months starting the month following the final month of the quarter based on the assumption that all existing subscriptions will be renewed at the specified time / 3. NRR: Net Revenue Retention (Rate). Calculated by dividing the (i) monthly subscription sales of current customers who have continued to subscribe for at least one year by (ii) the monthly subscription sales for the same month in the previous year

Next, I would like to explain some of the differences between the non-consolidated and consolidated systems.

As you can see, ARR growth on a non-consolidated basis was 27.6%. The rate here seems to be slightly lower than the 32% in the previous quarter, but if you look at the background of this, you will see that growth has been steady due to new acquisitions and new customers for NewLogo.

We have been able to get a lot of new contracts that exceed JPY1 million. For existing customers, up-selling and cross-selling were very strong last fiscal year. This is because MAU among our customers increased, which led to more opportunities for up-selling, and we were up-selling quite a bit last fiscal year. It has calmed down compared to that.

In addition, our cross-selling, mainly of Datahub, is centered on selling data options, but we feel that our customers have had their fill of this. Therefore, compared with last year, up-selling and cross-selling have abated.

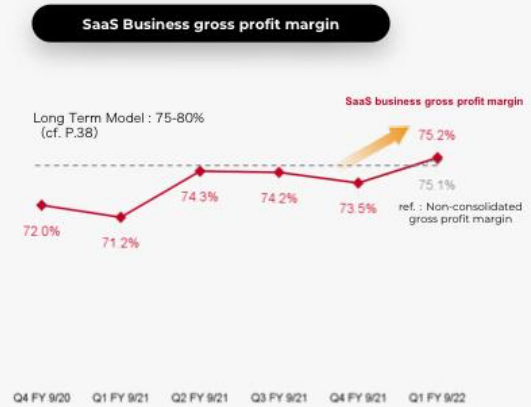
In addition, there have been several large cancellations. Although we do not disclose the churn rate, it has not risen that much. However, we have seen a number of service closures and cancellations due to deteriorating business performance on the customer side. That is having a slight effect on growth in existing customers compared with the previous fiscal year.

Therefore, we will continue to increase the number of new customers, while at the same time curbing cancellations of existing customers, aiming for up-selling and cross-selling. We think it is important to create new products and services for cross-selling following Datahub, and as I will explain later, especially in H2 of this fiscal year, we want to increase such sales.

As for NRR, it is still above 110% at the moment, so the expansion of existing customers is continuing.

Upgrade of Real-time Analytical Engine Significantly Improved Gross Profit Margin

- Standalone SaaS gross profit margin was significantly improved by 3.9 points YoY basis to 75.2%, exceeding the long term gross profit margin target within just 1.5 years since the indication of the long term model
- We are implementing upgraded real-time analysis platform, reducing server-related costs significantly



This is page 19, the gross profit that I mentioned earlier on a consolidated basis.

The gross profit margin of the SaaS business on a non-consolidated basis was 75.2%, an improvement of about 3.9 percentage points from the same period last year.

Importantly, we have surpassed the 75% gross margin target of our long-term financial model, which we set at the time of our IPO. The fact that we have achieved this in less than 1.5 years after our IPO indicates that the profit margin is improving at a much faster pace than we had expected.

As I said at the beginning, we are now bearing this server cost. The background of the real-time analysis engine is that it is not just an upgrade, but has been upgraded with a lot of power, and is working.

The renewal of the real-time engine is still in progress, so we can expect to see more of its effects in the future. so we would like to talk about the real-time engine in more detail in Q2.

Making Investments in Human Resources for Growth

- Hiring of both business members and product members such as engineers and designers has been accelerated resulting in the pick up of S&M and R&D ratios



Notes: 1. S&M: Expenses related to sales activities, which consist primarily of salaries and allowances for our sales and marketing personnel and advertising expenses as well as allocated overhead costs, and allocated depreciation and amortization, which are generally allocated based on the number of employees / 2. R&D: Expenses consist primarily of salaries and allowances for our engineering, product and design teams, as well as allocated overhead costs, and allocated depreciation and amortization / 3. G&A: Expenses consist primarily of salaries and allowances for our legal, finance, and HR operations, as well as allocated overhead costs, and allocated depreciation and amortization



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As for the middle line, expenses, we are currently investing in the acquisition of human resources, and as a result, sales and marketing, or R&D, expenses are increasing.

We have also invested a certain amount of money in marketing compared with the previous year, which has also led to an increase in the sales and marketing ratio.

Standalone Operating Losses were also Well Under Control

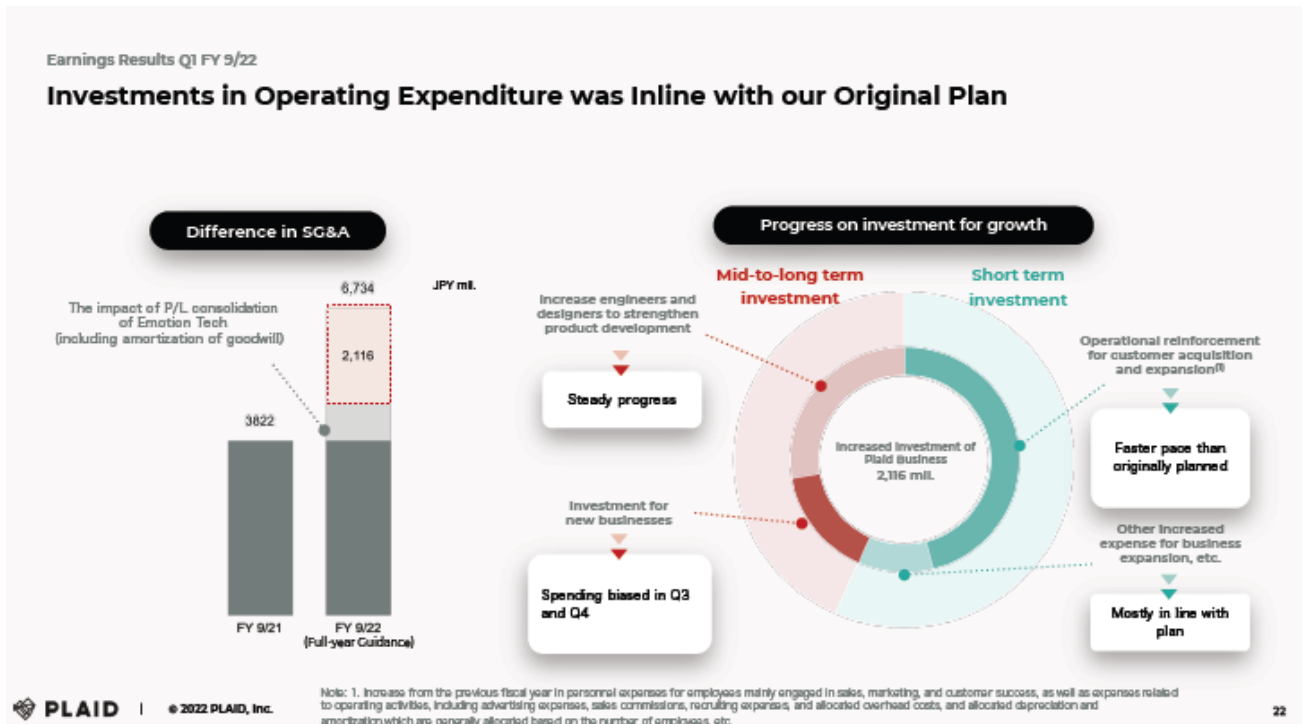
- Standalone operating losses were well under control while we made necessary operational investments including human resources



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The trend in the bottom line here is the same as that of the consolidated results, and although we have not provided guidance for the non-consolidated operating income

target, and therefore it is not disclosed, the operating income is lower than expected at an operating loss, and we are working to control that.



This shows material is reprinted from the end of the fiscal year, along with the guidance for the current fiscal year, that discusses where to invest for growth. It includes comments on the current situation.

First of all, in the long-term category, investment in human resources and engineers is generally proceeding as planned. We have a lot of new engineers and designers joining PLAID.

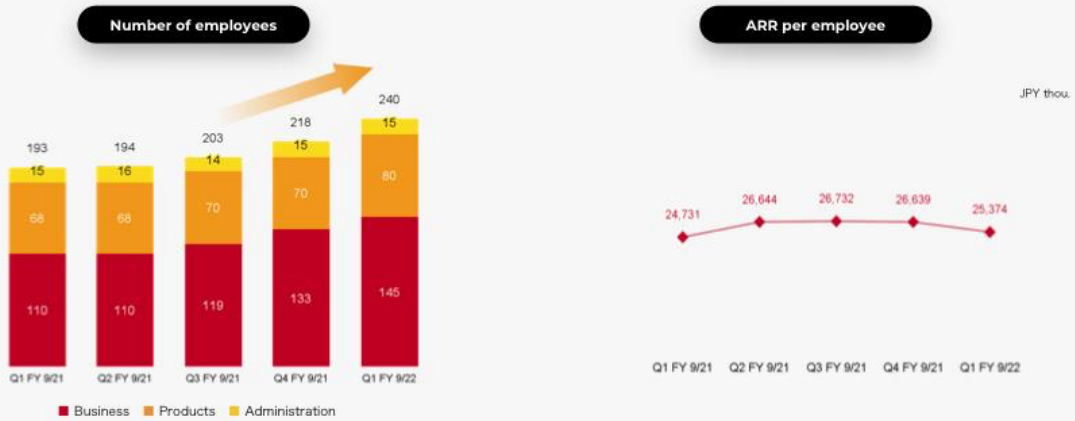
Investment in marketing and branding for new products, which you can see in the lower left part of this page, was originally forecast to be small in Q1 and become larger in Q2, Q3, and Q4. So, at this point, it hasn't been used much yet.

On the other hand, in terms of short-term investments, I believe that we have been able to acquire excellent business personnel at a pace faster than expected. In terms of monetary value, Q1 was mostly in line with our expectations.

In addition, we are using other marketing expenses as expected, so the low operating profit margin and small operating loss do not necessarily mean that we are holding back on investments, but that we are steadily making the necessary investments.

Successfully Hiring Talents Both For Business and Product Development

- We reactivated our hiring from 3Q FY 9/21, increasing the number of employees
- ARR per employee was stable but slightly decreased



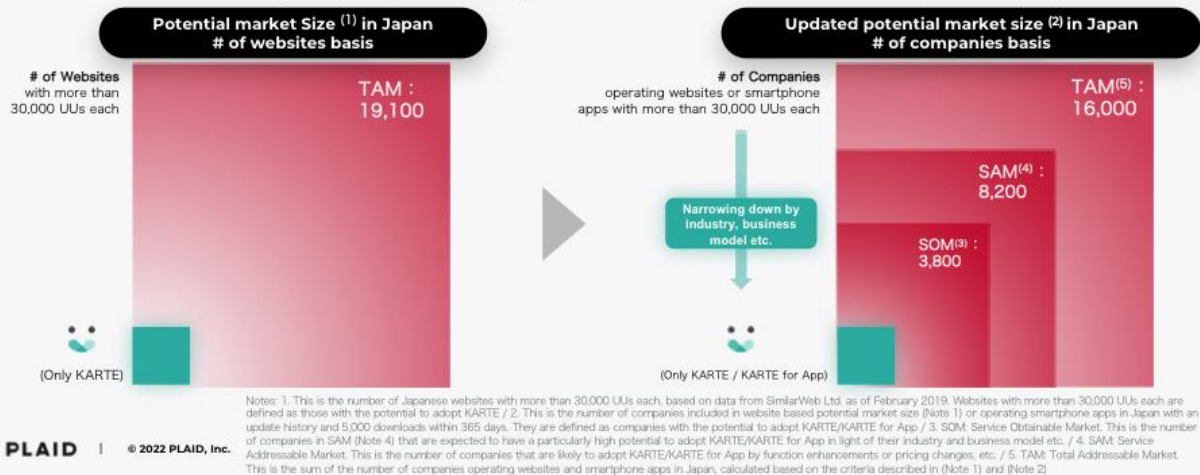
You can see the status of human resource acquisition on page 23.

The number of employees has increased, and although the ARR per employee has decreased slightly, it is still JPY25 million, so I believe that there is still room for hiring, or rather, the situation that requires hiring has not changed.

That is the update on the financial side.

Update for the the Potential Market Size of KARTE / KARTE for App

- Potential market size (TAM) for KARTE / KARTE for App is updated to "number of companies (websites and smartphone apps) from "number of websites" in the previous disclosure
- In addition, SAM of approximately 8,200 and SOM of 3,800 SOM are selected based on a variety of factors, including industry, business model, and KARTE introduction
- This updated market size is only for KARTE / KARTE for App, not for KARTE Blocks and other products



From here, I would like to talk about a few things I want to update on the business side. First, we have revised the TAM.

The figure on the left, which you may have seen before if you have been following our company for a while, is a count of 19,100 websites that we can target based on our databases. These are websites with more than 30,000 unique users.

However, investors often asked us if we could really capture all of these. In fact, we too, have not been able to sufficiently examine the situation up to now. This time, we have converted the TAM to the number of companies based on these 19,100 websites and applications.

These 19,100 sites convert to roughly 16,000 companies. As you can see here, we have defined 3,800 companies as potential new customers for KARTE in the short term. We refer to them here as SOM. We looked at each company from the bottom up and decided which ones are just right for KARTE as it is now, without updates or anything else.

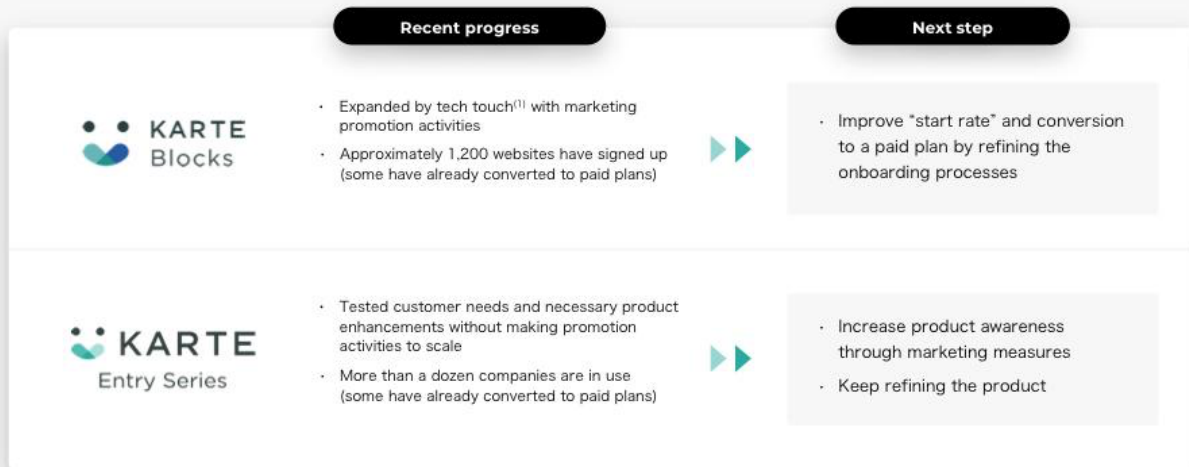
In addition, if we take into account the future evolution of KARTE and changes in KARTE's pricing system, we can identify 8,200 companies out of the 16,000 companies that could be our customers. We reviewed them one by one, from the bottom up, and listed those companies.

So this time, the process was not just about counting the number of companies, but also about looking at the affinity of our product and the industry, and thinking about sales strategies for each of them, and in a sense, re-creating the go-to-market strategy.

Going ahead, we will be working strategically on how to have these 3,800 companies use KARTE, and in the future, these 8,200 companies. I hope we will be able to tell you more about this in Q2.

Initiatives for Growth of KARTE Blocks / KARTE Entry Series

- Developing and testing measures to maximize business scale are ongoing



Here are some of the products and services, and new product services that we have already launched and shared with you, or will be sharing with you.

First of all, we have already announced the two products with which we said we are going to capture the base of the SMB market. I would like to update you on the KARTE Blocks and Entry Series.

For Blocks, online sign-ups are progressing well, with about 1,200 sites signed up. We have several clients who have migrated to paid plans.

However, there is a problem. The installation of tags is not progressing easily.

To explain, both KARTE and KARTE Blocks are the same, but when you use them, you embed the KARTE code in the tag of your website, and KARTE will start analyzing it from there.

In the case of KARTE, we have our own onboarding program, and our customer support and support from success-team members for setting up those tags. But with Blocks, through product-led growth, this time we are trying to expand it via tech touch and without doing any onboarding at the entry point.

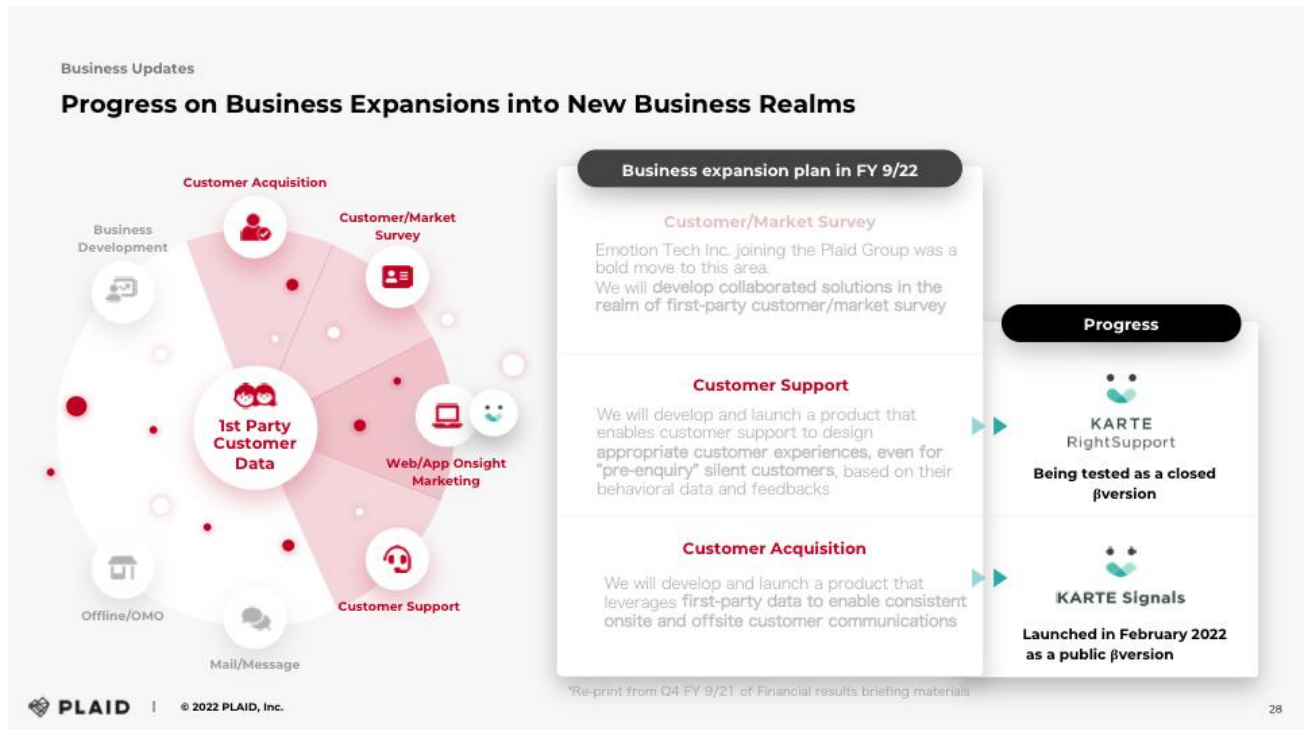
The next thing to do is to think about how to increase the rate of tag installation for Blocks. That is the stage we are at now.

To put it simply, it is possible for people to help with the installation of tags, but in the business model of how to spread our product, Product-Led Growth, we need to think about how we can help our customers do that. I think it is necessary to think about how we can help our customers promote this product.

Now, the KARTE Entry Series. We are not at the stage of major promotion yet, and our main focus is to update the product while using it with a few customers.

At some point, the timing will arrive to promote it more broadly. Before that, there are some points where we can improve the product a little more. For example, we can specialize it to prevent shoppers from abandoning their online EC shopping baskets, so we are working on that.


However, our customers, such as EC sites and SaaS customers, have been very positive about our products, so I think there is a lot of room for growth in this area.



This time we are entering three new business areas.

One is the area of market research. This is a joint solution with Emotion Tech. The second is the area of customer support. The third area is acquisition of new customers. With regard to the second and third areas, new products were announced during the quarter, and I would like to explain them to you.

Business update


Customer Support

PoC of KARTE RightSupport was Initiated

- Established a new company, "RightTouch, Inc." to develop business in the customer support realm
- Developing KARTE RightSupport, which is actually being used by several companies in their customer support operations as a PoC

Current issues

Companies are **suffering opportunity losses due to an inability to fully capture their IoCs⁽¹⁾ (Issues of Customers)**

- 96%** Only 4% of customers actually provide feedback to customer support of companies. The remaining 96% are **silent customers**
- 9x** The **repeat rate** of customers who make inquiries and have their issues resolved quickly is about 9 times that of customers who do not make inquiries
- 80%** 80% of customers contacting call centers **could not find the information they needed** even though they searched for it on the homepage, etc. before calling

(Source) Customer Loyalty Association and Saito Tomoyasu


Solution

Collecting and analyzing IoCs **before inquiries**. Designing an **effortless customer experience** online

- The **KARTE analysis platform** provides a **high-resolution understanding** of IoCs (Issues of Customers)
- Websites can be expanded so that **each customer can be matched with information tailored to their troubles**. Websites can be modified and expanded with **no code**
- Customer behavior and issues can be **quantified/visualized** from various angles with the report and dashboard functions. Problems solving through the PDCA cycle will be promoted

Customers

- GOLDWIN**
- My Honey**
- PLUS**
- SBI証券**
- So-net**
- ソニー銀行**

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Note: 1. Issue of Customer. To indicate the customer's problem, regardless of whether there is an inquiry or not

First, there is this KARTE RightSupport, which is for customer support.

This is a product that is actually being developed for customer support, rather than using KARTE as is. We have separated it from PLAID and created a new company, RightTouch Corporation, which will be responsible for this business.

This is a summary of what these products and solutions are, and if you look from the left, you will see that customers face a variety of problems when using websites, as you probably know from your own experience.

For example, when you want to change a contract for insurance or something, you may have trouble working out the procedure, or you may not know where to start logging in in the first place.

Actually, customers who have trouble don't raise their voices that much. On the contrary, it would be better if they came to us for support and told us they were stumped, but as it is, they just leave the site without speaking up and don't choose that service. It happens all the time. So that is the sort of challenge for the industry as a whole, and for customer contact over the internet.

On the other hand, there are many tools that are now available to assist customer support on websites. I believe that this is a growing market in itself.

For example, there are services like this coming out that provide help messages for input into web applications, and there are also services like chatbots. There are also services to manage FAQs, and various start-ups and existing businesses are launching such services.

But these services are basically responding to actual inquiries. As it says here, 96% of people don't inquire. Only 4% do. This is a service for 4% of the population.

In reality, we have to deal with the 96% of silent customers who are having trouble, but are unable to speak up. But it is difficult to grasp what they are troubled about in real time. It's not easy to see what their problems are.

This is where I think KARTE's strengths come into play. KARTE can analyze the user's behavior in real time and determine exactly what actions they are taking and where they are stumbling.

By doing this, we can detect not only the pre-inquiry behavior of the 4% of customers who inquire, but also the sticking points of the 96% of customers who are unsure or having trouble. I believe that our strength lies in our ability to provide appropriate support for them.

Using this overwhelmingly strong KARTE analysis platform for understanding the current state of our customers, we have introduced RightSupport as a customer support product that is different from KARTE, and we are now moving forward with this business.

It's still at the closed beta stage, so we don't offer it to a wide range of people, but the companies you see here are using it.

Therefore, we expect that this business will become a new growth driver for us in the future.

Business update

KARTE Signals was Launched

- Launched "KARTE Signals" Open β version, leveraging first-party data to deliver a consistent on-site and off-site customer experience
- KARTE Signals is designed with assumption of working with advertising solutions. As a first step, it starts with linkage to Google Ads and Facebook/Instagram ads

Customer Acquisition

Current issues

- Despite many companies want to improve the customer experience through data-driven advertising measures, it is hard to realize because of **lack of engineering resources and understandings of each media's characteristics**
- As the **measurement of advertising effectiveness is changing due to the 3rd party cookie restrictions**, it is urgent for companies to return **actual conversion data** from server to it

Solution

- To achieve a **consistent customer experience on and off the site** by combining with KARTE, which has strengths in on-site actions
- To achieve **bulk distribution of advertisements across medias without internal development** to link with various medias
- Utilizing **1st Party Data** integrated with KARTE Datahub, to compensate for missing conversion data due to full-scale restrictions and to **improve advertising effectiveness**

Customers

- おひさで合イオン イオンネットスーパー
- 再春館製薬所 (Saichunkan Pharmaceutical co., Ltd)
- Brandear
- ポケマル
- 三菱地所 (Mitsubishi Fudosan)

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Another service we have started is KARTE Signals, which appeared in the Nikkei newspaper. I would like the person who is directly in charge of the KARTE Signals business, Takanohashi, to explain the business to you. Please go ahead.

Takanohashi: Okay. My name is Takanohashi, from PLAID. Thank you for allowing me to speak to you today.

I would like to explain KARTE Signals, which was released the other day.

The contents are as written here, but let me explain first how amazing this service is.

KARTE has been contributing to the growth of our customers' services by utilizing data collected on websites, such as within the website or in an application. This time, however, the solution makes it possible to utilize the collected data not only within the site, but also outside the site. In other words, in the advertising network.

In the latest release, the ads are Google ads, Facebook ads, and Instagram ads, and there are three main features, or strengths, of these products.

The first is that, as the environment surrounding personal information is getting stricter around the world, including regulations on third parties and cookies, how to utilize 1st party customer data is becoming a very big issue for those who are in charge of digital marketing.

Our strength lies in the fact that we are able to link this 1st party data to advertising with a single, one-stop product.

In fact, if you try to implement 1st party data via a method other than KARTE, you have to create a CDP, connect an API, and prepare the data, which is a very complicated procedure that involves work and development. However, if you are using KARTE and KARTE Datahub, you can pass the data to the advertising media side with no code at all. That is the first point.

Secondly, although other services can return own-company data to advertisements, where KARTE is overwhelmingly strong is that it takes action within the site.

The message of KARTE Signals is to create a consistent customer experience both on and off the site. It uses data from within the site to bring in prospective customers from outside the site, and then through KARTE, on the site, by carrying out detailed customer service, provides consistent customer experience within the site. I haven't seen any solution that can do that.

The third point is the handling of that data, which is unique. There are many different types of 1st party data. For example, previously it was hard for Google and Facebook to utilize offline data among the data held by the media side. But with KARTE's Datahub, that kind of offline data can be utilized by the advertising side.

We also use the data analyzed by KARTE to make predictions, for example, predicting the probability of return visits, lifetime value, and other medium- to long-term indicators, and then we return the predictions to the media.

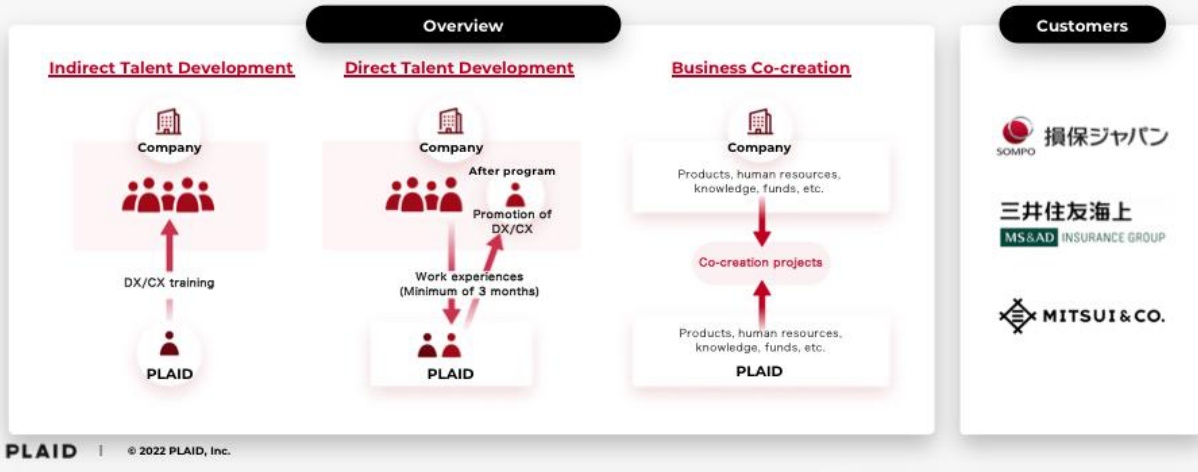
Lastly, let me discuss customer service data. With KARTE, for example, if you put up a pop-up on your website, the data on how people respond to it, and if they respond to it, becomes 1st party data itself. By returning that data to the advertising side, it can be used to reach high-quality targets. This is what KARTE Signals has enabled us to do.

This is a selection of the companies that have introduced the service, but they are now working to expand sales of this product.

That ends my explanation of KARTE Signals.

Launch of "PLAID Chime" by STUDIO ZERO

- STUDIO ZERO has launched "PLAID Chime", talent development programs that excel at improving customer experience value and start offering it to companies in order to accelerate inter-company co-creation initiatives
- It promotes new value co-creation tailored to the issues and situations of the company, including training program for gaining customer perspective, work experience and launching collaborative projects, etc.



Muto: Now, there is one last thing that I would like to explain to you, and that is Chime.

This is an initiative called STUDIO ZERO, which we introduced to you at the time of the announcement of the financial results last year. Mr. Nishina, who is in charge of this project, would like to explain what STUDIO ZERO is and what the value of the Chime initiative is. Please go ahead.

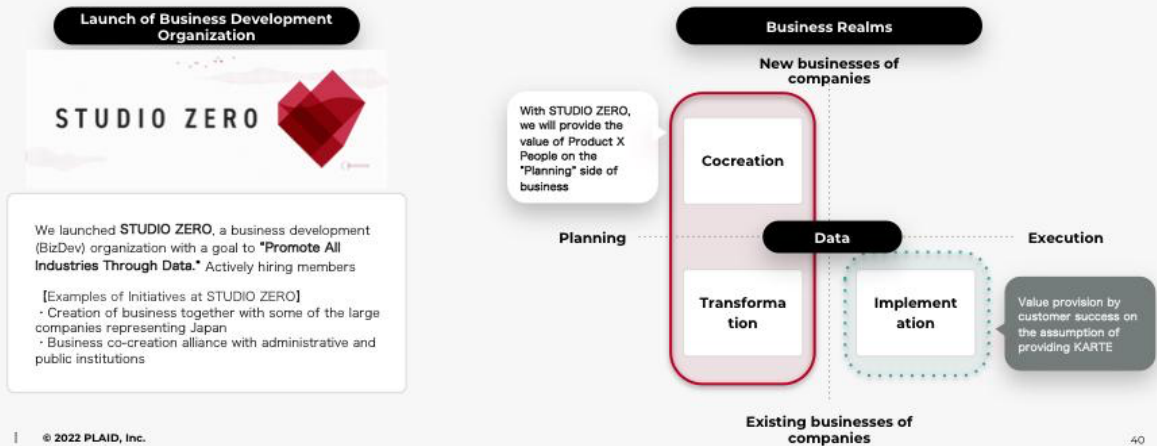
Nishina: Nice to meet you all. My name is Nishina, and I am currently supervising the STUDIO ZERO team at PLAID, Inc. Thank you for allowing me to talk to you.

I would like to talk about the background of Chime, a service we released last month for human resource development.

First of all, with respect to STUDIO ZERO, we will not only aim to achieve our mission of maximizing the value of people through data on our own, but we will also work to bring existing industry allies, including companies and local governments, closer to our mission. We want them to share in it, and somehow work on it, while at the same time multiplying our assets by theirs, so that we can achieve this mission and eventually grow our business. This team was created with this objective in mind.

Cocreation of Flagship Cases in Various Industries with STUDIO ZERO

- Launched STUDIO ZERO, a business development organization, on April 2021
- PLAID will exemplify envisioned world view by realizing the launch of new businesses from customers' perspectives utilizing data and transformation of existing businesses together with some of the large companies representing Japan, the medium and small businesses that support local economies, up-and-coming startups and ventures, and administrative and public institutions



In this context, STUDIO ZERO, which is in accordance with what we announced last year, will basically work with people from various industries, including large corporations, small- and medium-sized companies, and even local governments, to co-create businesses and provide products by joining together their top management. That is the strategy we have adopted.

[Case Study] The Challenge of Creating a Goods Planning Scheme Using Customer Data - MITSUI & CO, LTD.



PLAID, Inc., established a new company ".me" with MITSUI & CO, LTD.

Brand development (D2C business) that enhances consumer resolution through data, and support DX promotion for manufacturers

August 20, 2021
PLAID, Inc.

Plaid, Inc. and MITSUI & CO., LTD. established a new company ".me Co., Ltd." (.me) in July 2021. That will develop customer-centered manufacturing through data utilization, and will participate in the investment by subscribing to a third-party allocation of new shares.

The two companies have conducted market trials for the D2C brand to be developed from ".me" and have begun preparations for the official launch.

The capital involvement in the establishment of this new company will be the first project of our business development organization "STUDIO ZERO". STUDIO ZERO will continue to create new value by launching joint projects with companies and governments with the goal of "Promote All Industries through Data."

Specifically, I would like to start with the background of STUDIO ZERO and move on to talk about CHIME, including its most recent achievements. Last year, we talked about a co-creation with Mitsui & Co. called ".me". It is about how to conduct product planning in

the distribution industry, and our team is working on how to make it the norm in the distribution industry through our products, including KARTE.

Appendix

【Case Study】 Starting a Study on How Local Governments Should Operate in a Digital Society - Nara City



PLAID, Inc., Signing an Agreement on Comprehensive Collaboration with Nara City

Supporting various efforts to realize the "Digital City Hall Concept" to improve services for citizen

January 14, 2022
PLAID, Inc.

Plaid, Inc. and Nara City (Mayor : Mr. Gen Nakagawa) have signed an agreement on comprehensive cooperation and collaboration to realize the "Digital City Hall Concept," which aims to develop the city's official website into an easier-to-understand and more user-friendly service that is compatible with the digital society, as part of Nara City's goal of "improving services for citizens and realizing a human-oriented digital society where people can experience comfort and affluence".

Through this comprehensive collaboration with Nara City, Plaid will contribute to further improving the convenience of each citizen's use of the city hall and various procedures and communication with the government by utilizing Plaid's technology, know-how and knowledge that it has provided to private businesses.

In January 2022, we will also begin to examine the effectiveness and challenges of providing optimal information to Nara citizens on an individual basis.

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In November of last year, we held a press conference with the mayor of the Nara city, our CEO Kurahashi, and our team to discuss how we can help the local government establish KARTE and other products in their new industry. We have started to work together on how we can make them take root in the local government's new industry, and how we can get involved in operations.

These are our efforts to make the assets we have, including those of the private sector and government, the norm among companies and organizations as a business.

【Case Study】 Initiatives to Increase Talents Who Aim for Business Growth from a CX Perspective - Major Japanese Companies



STUDIO ZERO launches "PLAID Chime", talent development programs, start to offer to companies included MITSUI & CO, LTD.

"Co-creation" program with talents aiming for the next stage of corporate growth from a CX perspective, with a view to inter-companies collaborative projects

January 5, 2022
PLAID, Inc.

STUDIO ZERO, a business development organization, has developed "PLAID Chime", which is a program to develop digital human resources skilled in improving the value of CX (customer experience) in companies, and has started offering the program to several companies including MITSUI & CO, LTD. and Sompo Japan Insurance Inc.

With the digital shift of consumers, conventional products and services are exposed to a more intense competitive environment than before.

Increasingly, companies are focusing on CX (customer experience) improvement centered on expanding customer contact points, including online, while adapting to changes in consumers such as focusing on IT investment. The movement is becoming more active, such as establishing CX related division in company or starting a new business by developing goods starting from CX.

PLAID Chime was conceived based on Plaid's experience in providing the CX platform KARTE to more than 500 companies and making CX take root in the corporate activities of each company, as well as the assets it has cultivated through human resource development by seconding non-digital-related personnel from large companies to Plaid. In addition to input and training sessions to gain the perspective of customers through the data utilization, it is also possible to develop CX-driven value and launch collaborative projects with Plaid as a partner, and is characterized as a "co-creation" program tailored to the issues and circumstances of the company.

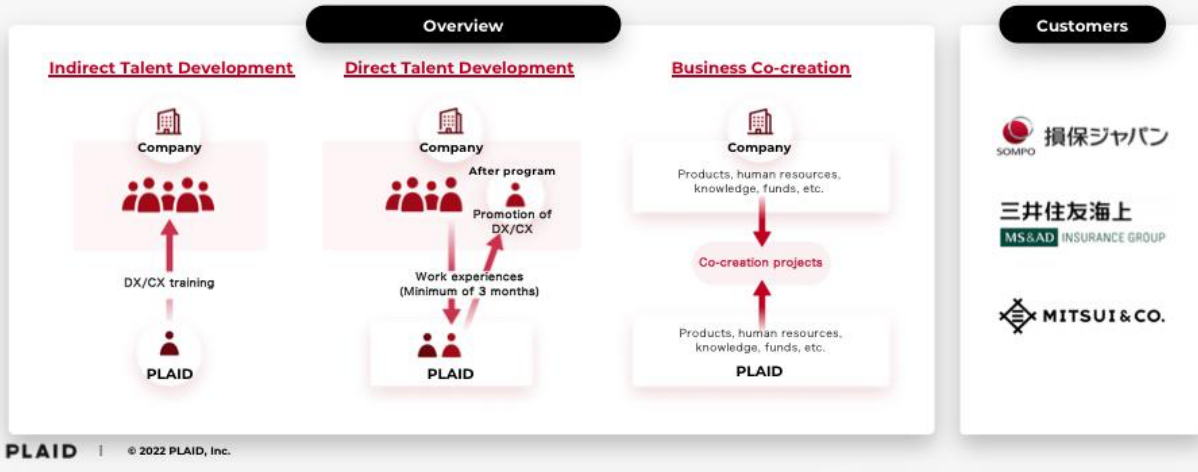
In this context, I would like to explain the story of PLAID Chime, which I announced recently.

This involves Mitsui & Co., Mitsui Sumitomo Insurance, and Sompo Japan Insurance. These are major companies that are in the top three in the industry right now, and specifically, the people who are in charge of CX strategy and management planning. We have gotten good responses from executives that normally we wouldn't be able to meet so easily in an existing KARTE product.

These people face the question of how to promote CX throughout their companies as a management issue. In this area, there is demand to create a culture of self-manufacture rather than relying on ordinary consulting companies and agencies. PLAID Chime is a service that systematizes the know-how that we have in sales and provides it as training in a customer experience strategy.

Launch of "PLAID Chime" by STUDIO ZERO

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I have a separate document that outlines a few things, so if you could project that for me. I'm trying to touch on three specific areas of human resource development for companies. For example, on the left side, there is indirect human resource development, which is like training, but how do you apply that philosophy and framework to customer experience and this business?

Also, we provide this to specific companies, including a programming course called CX, which enables them to actually handle the digital world. I would like to talk about direct human resource development and the middle.

To be honest, I don't think organizations will change just by holding training, which is something that large companies have been doing for several decades now. So, for our specific business, I would like to work directly with the management of large companies, or the onsite leaders or CX project leaders, for a short period of time, and have them get to know our culture and product structure, and then have them take the whole thing back to their companies. By doing so, we are able to grow our regular business or create new CX projects together.

Lastly, from the perspective of business co-creation, shown on the right, if we work with various companies from the standpoint of human resource development, we can come up with products that include not only the mission that PLAID has set, but that also include various Signals. The business co-creation initiative is co-creating projects from the perspective of how to create the possibility of being able to systematically implement this across a company's divisions all at once.

Last month, we launched the initiative called PLAID Chime, which collectively refers to all three of these. That's all from me.

Muto: That ends the financial results and presentation this time. Thank you very much for your attention.

Moderator: That ends our presentation. Thank you very much for your attention.

Question & Answer

Moderator: We will now begin the Q&A session.

Thank you for your cooperation.

Appendix

Income Statement ⁽¹⁾

Note: 1. Plaid acquired 64.0% voting rights in Emotion Tech on September 28, 2021. We consolidate balance sheet of Emotion Tech and posted a gain on step acquisitions and other adjustments, in the consolidated statement of income as consolidation adjustments in FY 9/21

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(JPY mil.)	Q1 FY 9/22	Q1 FY 9/21	YoY	Q4 FY 9/21	QoQ
Net sales	1,760	1,209	+45.6%	1,509	+16.6%
Subscription revenue (PLAID SaaS)	1,507	1,163	+29.6%	1,432	+5.2%
Subscription revenue (Other)	70	-	-	-	-
Other	182	46	+294.5%	77	+136.1%
Gross profit	1,285	861	+49.3%	1,109	+15.9%
Gross profit margin	73.0%	71.2%	+1.8pt	73.5%	▲0.5pt
SG&A	1,465	848	+72.8%	1,160	+26.3%
% of Net sales	83.3%	70.1%	+13.1pt	76.8%	+6.4pt
Advertising expenses	185	90	+104.6%	208	▲11.2%
% of Net sales	10.5%	7.5%	+3.0pt	13.8%	▲3.3pt
Personnel expenses	734	530	+38.4%	611	+20.0%
% of Net sales	41.7%	43.9%	▲2.2pt	40.5%	+1.2pt
Rents	81	77	+5.3%	77	+5.3%
% of Net sales	4.6%	6.4%	▲1.8pt	5.1%	▲0.5pt
Sales commission	33	27	+22.8%	32	+3.7%
% of Net sales	1.9%	2.3%	▲0.4pt	2.1%	▲0.2pt
Other	430	122	+252.4%	229	+87.4%
% of Net sales	24.5%	10.1%	+14.4pt	15.2%	+9.2pt
Operating income	▲180	12	-	▲50	-
Operating margin	▲10.2%	1.1%	▲11.3pt	▲3.4%	▲6.9pt
Non-operating income	0	1	▲40.4%	0	▲20.7%
Non-operating expenses	16	175	▲90.5%	69	▲76.2%
Ordinary income	▲196	▲161	-	▲119	-
Extraordinary gain	-	-	-	75	▲100.0%
Extraordinary losses	-	70	▲100.0%	-	-
Net income attributable to owners of parent	▲184	▲232	-	▲47	-

Q1: Thank you very much.

I would like to ask you a few questions, focusing on some numbers. In the back of the presentation, on page 35, there is a figure of JPY70 million for subscription sales and other. Is this sales of Emotion Tech? That is the first question.

Secondly, Mr. Muto, I would like you to explain again about new customers. The number of new customers exceeding JPY1 million has been increasing, up-selling has been slowing down since last year, and cross-selling has run its course. In the cancellation section, you said there was a large cancellation.

You explained that it was due to service closures and poor results on the part of the customer. The question is whether the amount of JPY1 million is symbolic or whether the base level is increasing as a whole.

Regarding cancellations, basically, I believe that if a customer is not satisfied with the product, he or she will cancel it if the results are not achieved. Could you say whether there were any cancellations due to insufficient results? That contains two questions.

Thirdly, you mentioned about tagging in KARTE Blocks. Does that concern apply to KARTE Entry Series? I had heard that it would be a rather easy thing, so I am concerned about whether or not this will act as a bit of a brake. That is the third point.

Lastly, I would like to ask Mr. Takanohashi a question, Is it a prerequisite to use Datahub for the Signals? There was originally a sense that cross-selling had run its course, so I was wondering if Signals would also generate Datahub usage.

Muto: Thank you very much. I would like Takanohashi to explain the final point, but I would like to answer the first three.

Regarding the first question, page 35 shows the product of subscriptions of Emotion Tech. That's all on that topic.

I would like to talk about the second point, I think growth in new customers has been steady. In particular, we tend to get new business in areas below our average unit price, but recently we have been getting a fair amount of large new business, including new business of JPY1 million or more. It doesn't have to be JPY1 million, as we also have JPY2 million and JPY3 million, but we have used it as an example of how we are getting a lot of new business.

So new business is very good. As for existing business, the first thing is up-selling and cross-selling, and up-selling was done to a certain extent last fiscal year because of the increase in the number of MAUs and UUs. There were a lot of up-sell opportunities caused by the shift to online working due to the coronavirus pandemic.

This is not the case this year, so compared to last year, the up-selling part has normalized. In terms of cross-selling, we are still selling Datahub, but compared to last year, Datahub is starting to reach more and more customers, so in future I think it is important to cross-sell different products and combinations of products.

However, it doesn't mean that Datahub can't sell at all. Datahub is growing on its own, but I think it's important to expand the sources of cross-selling. I think Signals will probably be included in that.

In terms of cancellations, there were very few cancellations exceeding JPY1 million last fiscal year. In the current fiscal year, if you look at this quarter, we've had some contracts that are over JPY1 million that have been canceled. If you look at the contents, you will find that many of them are not for replacement or other reasons, but due to the customer's particular reasons.

As poor business conditions continue amid the coronavirus pandemic, for example, it is difficult to sell clothes or to increase advertising expenses from the perspective of media companies. I think there are some customers who have to cancel their subscriptions due to performance problems or issues on their side, or because the service itself is about to close.

However, since the usage value of KARTE is essentially decreasing, and since there are better products than KARTE available, as the cancellation of KARTE is not progressing rapidly, we have to accept this as a certain market environment.

The third question is the Blocks tag. As for the Blocks tag, PLAID and Blocks are PLGs, which means that customers can sign up online and use the tags on their own.

Entry Series is basically managed, and we use our own resources to some extent to manage it, so there are no issues with tag placement in the Entry Series.

I would like Mr. Takanohashi to explain the fourth question.

Takanohashi: KARTE Signals is based on the premise that Datahub is used, so there are real cases where people want to introduce Datahub to use KARTE Signals.

In addition, there are cases in which people use KARTE because they want to use KARTE Signals, so we are expecting such scenarios in the future in which they start via advertising and later use KARTE in the website. That is all.

Q1-2: Mr. Muto, just to confirm the third point, I understand that Entry Series is a simple system that does not require the installation of tags. Is that correct?

Muto: Tags are required. To do the analysis. But it's actually not that difficult to set up tags.

But even that is still a problem for Blocks, because PLGs are hard to advance. The Entry Series does it well, so there is no problem there.

Q2: Thank you for your explanation.

Firstly, you mentioned that there is still room for improvement in the gross margin, but could you tell us how much upside we should expect, including the timeframe?

Muto: Thank you very much.

To be honest, I'm not sure how much improvement I can see either.

One fact I can tell you is that we are changing our analysis infrastructure to a new one. At least on a per-customer basis, unnecessary events can be eliminated and the use of servers for analysis can be reduced, so costs can be kept down and to some extent that is happening now. However, not all of our customers are replacing their servers yet, so we haven't fully grasped how much room there will be as things progress.

At the very least, I am hopeful that this is not the end of the road, and that there is still more upside to come.

Q3: Thank you very much. I understand very well.

Also, in the area of products, I think that RightSupport and Signals are currently in a beta, or closed-open versions. Can you tell us when they will be officially launched?

Takanohashi: Signals is already open-beta ver., so basically, I think you can almost consider us an official company.

In the future, we plan to release an official open version, or rather an official version, when various functions are updated and the part of Signals that is currently called the connector becomes more stable.

Muto: We do have a rough goal for RightSupport. Although we are declaring it non-disclosed, we hope that you will understand that it is not that far away.

Q3-2: Thank you very much. So we can expect it by the end of this fiscal year?

Muto: Yes, Within this fiscal year.

Q4: Thank you for your explanation. The amount of operating loss in Q1 is much less than the full-year plan, but should we expect an operating loss on the level of, say, JPY400 million to JPY500 million in Q2 and beyond due to accelerated investment?

Muto: In this regard, according to our plan, we planned to use operating expenses in the back of the plan, Q2 rather than Q1, and Q3 rather than Q2, so in that sense, if things go according to plan, it would be strange to call it a balloon, but we assumed that the amount of investment would gradually increase. On the other hand, this time, there was an improvement in gross profit, and we are not able to foresee that yet, so it is a little difficult to say concretely whether this is at the JPY400 million or JPY500 million level.

What I can tell you, however, is that we have not yet changed our guidance, including our operating income guidance, for now.

On the other hand, as for gross profit, I think the situation will become clearer in the future, and accordingly, it may be around this level, or it may be less than this. That is the image I have.

Q5: What is the current sales contribution of STUDIO ZERO's Chime, and STUDIO ZERO as a whole, and how do you plan to monetize it in the future? Can you please tell us what level of sales we should expect?

Muto: Nishina will explain this, but basically, I would like to leave the sales level undisclosed. Nishina-san, please.

Nishina: Thank you for your question. I hope I can answer your questions.

Regarding monetization methods, in some cases, we are working on defining the requirements for accelerating products like KARTE, so in that sense, we are working on the revenue of the products. So, that's one.

Secondly, recently, I've been doing more and more project proposals with executives, so that's a kind of consulting revenue.

And since we provide training services like Chime, we provide that training. In total, I envision a business-to-business approach to deepen the relationship between

companies by interweaving these three elements. For the moment, is that sufficient? Thank you.

Q6: Thank you for your explanation.

Compared to other products such as KARTE, I have the impression that it takes a lot of personnel and time per customer. In terms of efficiency, how is it? There is a possibility that sales will increase considerably, but would you rather have higher efficiency, and if so, what kind of form do you have in mind for that?

Nishina: Yes, if there are some discrepancies, I hope you will ask additional questions as appropriate. First of all, for us, the approach for STUDIO ZERO will be to start by building relationships with companies that have the top market share in their industries, so rather than working with a large number of companies at once, we will start by going a little deeper with companies in specific industries. For example, in the case of the traditional KARTE series, the line was the marketing department.

Recently, we have been receiving an increasing number of CX projects in general, i.e., management planning and CX projects for the entire group companies, including the holding company, so we are working with the regular KARTE sales team to create a plan and approach those projects. In that sense, rather than introducing a large number of people and doing something all at once, we are in a phase where we are thinking of taking a relatively narrow and deep approach, especially in the near future. Is that sufficient?

Q7: This means that the lifetime value of the Company is quite large, and since it can create relationships, it has the potential to be very sticky.

Nishina: Yes.

Moderator: Thank you very much.

Now that your questions are finished, I would like to conclude the Q&A session.

This concludes PLAID, Inc.'s financial results briefing for Q1 of the fiscal year ending September 30, 2022. Thank you all for taking time out of your busy schedules to join us.

Muto: Thank you very much.

[END]

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